



INVITATION FOR OFFER – WYOMING RIK OIL SALE (Phase 14)
IFO No. 1435-02-06-RP-27785
Deliveries Beginning April 2006

Introduction

The Minerals Management Service (MMS) and the State of Wyoming, Office of State Lands and Investments (State), are jointly soliciting written offers from pre-qualified companies to purchase royalty oil produced from certain Federal and State leases in Wyoming.

This Invitation for Offer (IFO) is for a one, three, and/or six-month term beginning April 1, 2006. Offers must be made in writing and submitted to Sheila Perry via facsimile (303-231-3846) or email to sheila.perry@mms.gov by **2:00 pm MST on February 13, 2006**. MMS confirms receipt of all offers by phone. Royalty oil packages will be awarded by 2:00 pm MST on **February 15, 2006**.

Address Federal technical questions to Sheila Perry at 303-231-3610 and State technical and contracting questions to Harold Kemp at 307-777-6643 or email at hkemp@state.wy.us. Address Federal contracting questions to Maggie Miller at 303-231-3932 and pre-qualification and credit questions to Larry Cobb at 303-231-3307.

Offers

Offerors must be pre-qualified to submit offers. Please see the "Pre-qualification and Credit Requirements" section for more information. MMS reserves the right to reject any offer received.

The Exhibit is the official offer sheet identifying the packages of royalty oil offered and includes properties, operators, pipelines, estimated daily royalty volume, and average gravity details. Royalty volumes and gravity represent estimates provided by operators and are not warranted. Offerors are expected to contact appropriate parties for the most recent information.

Offerors may make offers (to the nearest \$0.0001) on the Exhibit for an individual property, entire pipeline, or crude oil type. Offerors must submit offers on the full Federal and State royalty volume to be delivered. Tiered offers based on volume levels are unacceptable. Royalty oil from the properties listed in the Exhibit originating from new wells added during the term of this sale will be automatically added to the volumes purchased under this IFO.

Pricing Mechanisms

Offers should be based on the gravity referenced in the applicable pricing formula. Offers must be an increment or decrement from any or all of the following pricing formulas.

• **Powder River Basin – General Sour Crude:**

- 1) The calendar month's average of Flint Hills oil postings for Canadian Lloyd Blend (LLB) grade oil at a referenced gravity of 23° API or
- 2) Calendar month NYMEX at 40° API

For payment, successful offerors will make appropriate gravity adjustments to match the actual gravity of the royalty oil being purchased each month by using Shell Trading (US) Company gravity adjustment scale. For example, this scale will be used to adjust payments from 40° API to the actual property gravity when NYMEX pricing is used and from 23° API when using Canadian LLB postings.

• **Big Horn Basin – Asphaltic Sour Crude:**

- 1) The calendar month's average of the Imperial (Esso) and Flint Hills oil postings for Canadian Bow River grade oil at a referenced gravity of 22° API or
- 2) Calendar month NYMEX at 40° API

For payment, successful offerors will make appropriate gravity adjustments to match the actual gravity of the royalty oil being purchased each month by using the Shell Trading (US) Company gravity adjustment scale.

• **Powder River Basin – Sweet Crude:**

Calendar month NYMEX at 40° API

For payment, successful offerors will not be allowed any additional adjustments for gravity. Offerors should deem sweet production at 40° API gravity for offer and payment purposes.

• **Green River Basin – Southwest Wyoming Sweet Crude:**

Calendar month NYMEX at 40° API

For payment, successful offerors will not be allowed any additional adjustments for gravity. Offerors should deem sweet production at 40° API gravity for offer and payment purposes.

Calendar month NYMEX: Arithmetic average of the daily settlement price of the “Light Sweet Crude Oil” front month futures contract reported by the New York Mercantile Exchange (NYMEX) during the Physical Month of Delivery (excluding weekends and holidays).

An offeror may use its own company (or affiliate) posting in the calculation of its offer or payment if they meet the criteria below:

- 1) Offeror is not a producer of the local crude oil being offered
- 2) Posting does not contain price for local crude being offered; e.g., using Canadian posting to price Wyoming oil
- 3) Volumes of crude being offered is less than 10% of crude traded on posting (presumption of non-control of posted price determination)

Term

Contracts for purchasing royalty oil will be awarded for a one, three, or six-month term beginning April 1, 2006.

Transportation and Scheduling of Royalty Oil

Title to royalty oil will pass to the successful offeror at the flange connecting the tank batteries to the pipeline or truck receiving station at the point(s) of delivery. Successful offerors will take custody of 100 percent of the royalty oil made available for sale at the receipt point(s) and are responsible for all movement of royalty oil downstream of these points.

Supporting Documentation

As stipulated in the MMS base contract "RIK Crude Oil General Terms and Conditions," successful offerors must provide pipeline/truck statements to support invoices to both the State and MMS Crude Oil RIK Accounting. The "Crude Oil Transaction Confirmation" package provides points of contact for submission of this information.

Imbalances

Successful offerors are granted the right to purchase royalty oil delivered by operators at the receipt point, not the actual entitlement due the MMS or State. The MMS, the State, and operators will resolve imbalances between these two volumes.

Routine imbalances will be resolved by adjustments in the volume of royalty oil delivered to successful offerors in subsequent months. These adjustments will be reflected in communications from MMS to the successful offeror regarding the first-of-month availability of royalty oil. Imbalances not remedied within 90 days of the production month will be resolved by mutual agreement between MMS, the State, and the operators. MMS and the State will consult with successful offerors in this process. The contract price under this IFO may form the basis of resolution of certain extraordinary imbalances.

An example of the rights and responsibilities of operators under RIK oil situations is outlined in MMS' "Dear Operator" letter at <http://www.mrm.mms.gov/rikweb/PDFDocs/20050214.pdf>.

Consideration of Offers

MMS and the State may award a contract on the basis of initial offer(s) received without discussions. Accordingly, each initial offer should be submitted on the most favorable terms that the offeror can submit. However, MMS and the State may negotiate with offerors in the event offers of similar or unanticipated values are received. All information about the origin and value of offers received will remain confidential, except as noted above in Imbalances with respect to resolution of extraordinary imbalances.

MMS and the State will award a contract resulting from this IFO to the offeror whose offer, in their judgment, is most advantageous to the Federal and Wyoming State Governments. MMS and the State will award to successful offerors by means of the "MMS Crude Oil Transaction Confirmation" endorsed by the State for use in this RIK sale.

Pre-qualification and Credit Requirements

Offerors are required to pre-qualify by signing the MMS base contract "RIK Crude Oil General Terms and Conditions" and providing detailed financial information. Pre-qualification information can be found on our web site at <http://www.mrm.mms.gov/RIKweb/Oilpregual.htm>. By submitting an offer, the offeror agrees to be bound by the terms of its signed MMS base contract and this IFO.

Upon pre-qualifying, MMS will issue an amount of unsecured credit based on the creditworthiness of the offeror. In most cases where offerors have submitted their most current financial documentation or such information is available on Edgar Online, no additional information will be required. However, MMS reserves the right to request updated financial information in any situation it deems reasonable and may reissue approved lines of credit. Please be advised that MMS will require a parent guaranty in situations where the company submitting the offer is a different entity than the company that has pre-qualified.

For awards exceeding the amount of unsecured credit issued by MMS, successful offerors will be required to provide secured financial assurance in the form of an Irrevocable Letter of Credit (ILOC), Bond, or other MMS-acceptable surety instrument 5 business days prior to first receipt of oil under the contract. If required, a separate ILOC, Bond, or other acceptable surety instrument must be provided for MMS and State property interests. All ILOC and Bond requirements affecting State interests shall show the State of Wyoming as beneficiary under such issuance.

The financial assurance amount shall be sufficient to cover the value of 60 days of deliveries of the estimated production of all royalty oil awarded, less the amount of unsecured credit issued by the MMS as previously notified. For new surety instruments, the MMS will contact you regarding the calculation of an estimated amount of surety to be provided prior to initial deliveries. For continuing surety instruments, we will contact you regarding renewal requirements. Failure to provide requested surety may result in cancellation of the award or termination of the contract.

The ILOC, Bond, or other MMS-acceptable surety instrument must be effective for the period beginning on the date of first receipt under the contract and ending with the verification and payment of the final deliveries. A sample of the ILOC, MMS Form-4071, may be found on the MMS web site at <http://www.mrm.mms.gov/ReportingServices/PDFDocs/4071.pdf>. For Bonds, use MMS Form-4072, <http://www.mrm.mms.gov/ReportingServices/PDFDocs/4072.pdf>. The financial institution issuing the ILOC or Surety Company issuing the Bond must meet MMS requirements under 30 CFR Part 208.11.

Significant and sustained increases in the value of crude oil during the term of the contract may result in a requirement to increase the amount of financial assurance. Further, should the creditworthiness, financial responsibility, or ability to perform become unsatisfactory to MMS or the State at any time during the term of this agreement, satisfactory assurances may be required as a condition to further performance under the agreement. Such assurances include, but are not limited to, a prepayment or a surety instrument in a form and amount satisfactory to MMS and the State. Failure to provide adequate performance assurances when requested may result in early termination of the contract.

Governing Contract

This transaction is governed by the MMS base contract "RIK Crude Oil General Terms and Conditions," signed by the offeror and MMS. Conflicts between the MMS base contract and the terms of this IFO will be resolved in favor of this IFO. Only companies who have pre-qualified and signed the MMS base contract may receive a contract.

MMS will send the successful offeror a Transaction Confirmation detailing the award packages. Transaction Confirmations not signed and returned and/or errors noted within 2 business days of receipt of the Transaction Confirmations will be deemed binding on behalf of both parties.

The successful offeror will submit payment to the MMS and the State separately. MMS will provide the successful offeror the break out of State and Federal volumes no later than the 10th of the month following the month of production.

Please note: For production purchased from State leases, interest on late payments is governed by Wyoming statute under Title 30-5-303(a). This supercedes provisions in the RIK Crude Oil General Terms and Conditions, section 8(f).

1 Exhibit/Offer Sheet

The Paperwork Reduction Act: The Paperwork Reduction Act of 1995 requires us to inform you that this information is being collected by MMS to document fulfillment of royalty obligations on minerals removed from Federal lands and that we will use this information to maintain and audit lease accounts. This ICR is approved by Office of Management and Budget (OMB) and is titled "Royalty-in-Kind (RIK) Pilot Program - Directed Communications by Operators of Federal Oil and Gas Leases (OMB Control Number 1010-0119, expiration date January 31, 2009)." We estimate the burden for reporting is 1 hour per response. Comments on the accuracy of this estimate or suggestions for reducing this burden should be directed to the Information Collection Clearance Officer, Minerals Management Service, 1849 C Street, NW, MS 4230, Washington, DC 20240. Proprietary information submitted to the U.S. Department of the Interior is protected in accordance with standards established by the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1733), the Freedom of Information Act (5 U.S.C. 552(1,) (4)), and the Departmental Regulations (43 CFR 2). An agency may not conduct or sponsor and a person is not required to respond to a collection of information unless it displays a currently valid OMB control number.

Line Code	Lease or Agreement Number	Lease or Agreement Name	Operator	Avg. Gravity	Federal Avg. Daily Royalty Bbls	State Avg. Daily Royalty Bbls	One Month (04/01/06-04/30/06)	Three Month (04/01/06-06/30/06)	Six Month (04/01/06-09/30/06)
• Powder River Basin -- Sweet Crude									
Pipeline:	Belle Fourche								
PSW1601	84687U9690	House Creek (Sussex)	Devon Energy	35.1	47	17	\$	\$	\$
PSW4700	W 123877X	Sand Dunes (Muddy)	Merit Energy	46.8	34	5	\$	\$	\$
			Total for Pipeline:		81	22	\$	\$	\$
Pipeline:	Bridger Pipeline LLC								
PSW4505	W 114211X	House Creek North	Medicine Bow	33.8	15		\$	\$	\$
			Total for Pipeline:		15		\$	\$	\$
Pipeline:	Belle Fourche, Rocky Mountain Pipeline and Black Hills Trucking Co.								
PSW1300	8910194240	Hartzog Draw	XTO Energy	36.0	329	14	\$	\$	\$
			Total for Pipeline:		329	14	\$	\$	\$
			Total for Sweet Crude:		425	36	\$	\$	\$

Notes:

These volumes are only estimates of royalty oil available to successful offerors and are not warranted. Due to the termination of the royalty rate reductions granted under the stripper well royalty reduction program effective February 1, 2006, some of these volumes may increase. MMS will provide updated volumes to the successful offeror when available.

• Sweet crude/condensate deemed 40° API gravity.

• For pipeline tariffs or trucking rates:

Belle Fourche and Bridger - Garry Johnson at 307-266-0285
 Rocky Mountain Pipeline - Chris Schiffbauer at 303-299-1313
 Black Hills Trucking Co. - Sharon Redding at 307-266-0303

Line Code	Lease or Agreement Number	Lease or Agreement Name	Operator	Avg. Gravity	Federal Avg. Daily Royalty Bbls	State Avg. Daily Royalty Bbls	One Month (04/01/06-04/30/06)	Three Month (04/01/06-06/30/06)	Six Month (04/01/06-09/30/06)	Indicate NYMEX or LLB
• Powder River Basin -- General Sour Crude										
Pipeline:	88 Oil									
PSR0400	W 115090X	Alpha	Wellstar Corporation	24.7	16	1	\$	\$	\$	
PSR7100	66-15021/M1	East Sandbar	Wellstar Corporation	21.2		26	\$	\$	\$	
PSR9169	W 119861X	Prong Creek West	Ballard Petroleum	19.4	17		\$	\$	\$	
PSR9310	W 148363X	True Grit	Bellevue Resources	21.9	27		\$	\$	\$	
			Total for Pipeline:		60	27	\$	\$	\$	
Pipeline:	Belle Fourche									
PSR1400	W 109088X	Dry Gulch	Duncan Oil	26.1	14		\$	\$	\$	
PSR1950	8910086440	Little Mitchell Creek	Osborn Heirs	25.5	21		\$	\$	\$	
PSR2300	W 119637X	N. Breaks	Fancher Oil	21.3	22		\$	\$	\$	
PSR2400	8910209840	Pownall Ranch	Citation Oil and Gas	24.9	18		\$	\$	\$	
PSR3700	W 115064X	Winter Draw	Lario Oil & Gas	23.5	21		\$	\$	\$	
PSR6700	State/Fee Unit 4	West Morgan	North Star	22.0		12	\$	\$	\$	
PSR9122	0491416500	Trend, Fed 7-1, 7-4 & 7-7	Trend Exploration	24.5	26		\$	\$	\$	
PSR9182	W 140473X	Trout Pond	Ballard Petroleum	21.5	18		\$	\$	\$	
PSR9219	W 141479X	Tanner	Citation Oil and Gas	20.3	23		\$	\$	\$	
			Total for Pipeline:		163	12	\$	\$	\$	
			Total for General Sour Crude:		223	39	\$	\$	\$	

Notes:

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- Actual gravity adjustments on general sour.
- For pipeline tariffs:
 - 88 Oil - Sharon Redding at 307-266-0303
 - Belle Fourche - Garry Johnson at 307-266-0285

MMS/Wyoming RIK Oil Sale
IFO No. 1435-02-06-RP-27785
Deliveries Beginning April 2006

Offer Sheet
Asphaltic Sour Crude

Exhibit

Line Code	Lease or Agreement Number	Lease or Agreement Name	Operator	Avg. Gravity	Federal Avg. Daily Royalty Bbls	State Avg. Daily Royalty Bbls	One Month (04/01/06-04/30/06)	Three Month (04/01/06-06/30/06)	Six Month (04/01/06-09/30/06)	Indicate NYMEX or Bow River
• Powder River Basin										
<u>Pipeline:</u>	<u>Rocky Mountain Pipeline LLC</u>									
PSR9127	801000312A	Salt Creek (Tensleep)	Anadarko	25.7	21		\$	\$	\$	
PSR9200	892000537U	Sussex (Tensleep Amsden A-B)	Anadarko	29.6	15	8	\$	\$	\$	
Total for Pipeline:					36	8	\$	\$	\$	
• Big Horn Basin										
<u>Pipeline:</u>	<u>Clear Fork</u>									
B7276	8920004390	Elk Basin (Madison)	Anadarko	28.1	65	3	\$	\$	\$	
B7277	892000439A	Elk Basin (Emb.-Ten.)	Anadarko	28.1	143	18	\$	\$	\$	
Total for Pipeline:					208	21	\$	\$	\$	
<u>Pipeline:</u>	<u>Red Butte</u>									
B3101	891012527A	Byron	Marathon	21.5	45		\$	\$	\$	
B3103	891002438A	Byron Pre-Tensleep, Amsden Pa	Marathon	21.5	1		\$	\$	\$	
B3102	891002438B	Byron Pre-Tensleep, Madison Pa	Marathon	21.5	1		\$	\$	\$	
B0300	W 112017X	Enigma (See Note Below)	Citation O&G	23.3	15		\$	\$	\$	
B0500	892000174A	Garland	Marathon	21.4	159		\$	\$	\$	
B1002	892000185C	Garland (Tensleep)	Marathon	21.4	20		\$	\$	\$	
B0600	8920003630	Gebo	Phoenix Production	24.5	112		\$	\$	\$	
B5000	892000223A	Gooseberry "A"	Kerr-McGee	21.6	18	8	\$	\$	\$	
B5100	892000223B	Gooseberry "B"	Kerr-McGee	19.5	13	10	\$	\$	\$	
B0710	W 150174X	Grass Creek	Marathon	23.5	19	149	\$	\$	\$	
B1004	0640446940	Kinney Coastal 012	Marathon	21.4	1		\$	\$	\$	
B1005	0640447690	Kinney Coastal 051,052	Marathon	21.4	1		\$	\$	\$	
B1000	892000185A	Kinney Coastal Garland - Mad "B"	Marathon	21.4	3		\$	\$	\$	
B1001	892000185B	Kinney Coastal Garland - Embar	Marathon	21.4	3		\$	\$	\$	
B1003	892000185E	Kinney Coastal Garland - Mad "A"	Marathon	21.4	2		\$	\$	\$	
B7100	064043977A	Kinney Coastal Garland 78Ea	Marathon	21.4	1		\$	\$	\$	
B6000	892000559A	Oregon Basin-N. Chugwater Pa	Marathon	21.7	1		\$	\$	\$	
B6100	892000559B	Oregon Basin-S. Chugwater Pa	Marathon	20.0	1		\$	\$	\$	
B6200	892000559C	Oregon Basin (N. Embar)	Marathon	21.7	222	17	\$	\$	\$	
B6300	892000559D	Oregon Basin (S. Embar)	Marathon	20.0	226	4	\$	\$	\$	
B6400	892000559E	Oregon Basin (N. Madison)	Marathon	21.7	22		\$	\$	\$	
B6500	892000559F	Oregon Basin (S. Madison)	Marathon	20.0	75		\$	\$	\$	
Total for Pipeline:					960	188	\$	\$	\$	
Total for Asphaltic Sour Crude:					1,204	217	\$	\$	\$	

Notes:

These volumes are only estimates of royalty oil available to successful offerors and are not warranted. Due to the termination of the royalty rate reductions granted under the stripper well royalty reduction program effective February 1, 2006, some of these volumes may increase. MMS will provide updated volumes to the successful offeror when available.

- Actual gravity adjustments on asphaltic sour.
- B0300 - Enigma, an additional operator transport charge is required to move the oil to Red Butte pipeline. Please call Peggy Stockton at 281-517-7321.
- PSR9127 & PSR9200 - These barrels are currently General Sour Crude, but due to the limited amount of barrels on the Rocky Mountain Pipeline, they are put in the Asphaltic stream. Please call Beth Fitzpatrick at 281-517-7321.
- For pipeline tariffs:
 - Clear Fork - Carmel Helsley at 303-832-7187
 - Red Butte - Andy Franklin at 307-587-4961
 - Rocky Mountain Pipeline - Chris Schiffbauer at 303-299-1313

MMS/Wyoming RIK Oil Sale
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Offer Sheet
 Southwest WY Sweet Crude

Exhibit

Line Code	Lease or Agreement Number	Lease or Agreement Name	Operator	Avg. Gravity	Federal Avg. Daily Royalty Bbls	State Avg. Daily Royalty Bbls	One Month (04/01/06-04/30/06)	Three Month (04/01/06-06/30/06)	Six Month (04/01/06-09/30/06)
• Southwest WY Sweet Crude									
Pipeline:	Rocky Mountain Pipeline LLC								
GR001	891016173B	Painter Reservoir	Chevron USA	52.7	200		\$	\$	\$
GR013	8910161730	Painter Reservoir	Chevron USA	52.9	8	5	\$	\$	\$
GR008a	891004736E	Green River Bend	Chevron/EOG	46.1	11		\$	\$	\$
GR016	8920003200	North Labarge Shallow	EOG Resources	45.5	10	10	\$	\$	\$
GR017	W 146018X	Burly (Mesaverde)	EOG Resources	45.2	23		\$	\$	\$
GR030b	891003856C	Dry Piney	ExxonMobil/Wexpro/EOG	53.3	15		\$	\$	\$
			Total for Pipeline:		267	15	\$	\$	\$
Pipeline:	Flying J								
GR011	84385U8590	Luckey Ditch	Whiting	42.6	43	7	\$	\$	\$
			Total for Pipeline:		43	7	\$	\$	\$
			Total for Southwest WY Sweet Crude:		310	22	\$	\$	\$

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- Sweet crude/condensate deemed 40° API gravity.
- For pipeline tariffs or trucking rates:
 Rocky Mountain Pipeline - Gary Zollinger at 303-298-1000
 Flying J - Zane Atkinson at 801-624-1198